

AR59

1997

ANNUAL REPORT



NAMCO

NAMIBIAN MINERALS CORPORATION



Namibian Minerals Corporation (Namco) is a diamond exploration and development company operating in southern Africa. The Company is primarily dedicated to the exploitation of its Namibian marine concessions in a region that contains the world's highest quality diamonds. Mining will commence in 1997 using proven extraction technology.

Namco is one of Namibia's leading public companies and is uniquely positioned in the region. Exploration remains the major focus for achieving growth. The Company has recently expanded into Angola to develop highly prospective diamond concessions.

Namco's objective is to achieve significant long-term diamond production from Africa.



Top: Diamonds from Namco's Luderitz Bay Grant. Above: Mining vessel MV Kovambo.

Right, top: Alastair Holberton shows Namco diamonds to Honourable Hage Geingob, Prime Minister of Namibia and His Excellency Uenga Ben Uenga, High Commissioner of Namibia in the London offices. Right, middle: Namco has acquired concessions on Angola's Chicapa River, Lunda Norte. Right, bottom: Luderitz, Namibia, where Namco will base its logistics support for mining operations.



CONTENTS

Countries of Operation	2
1997 Highlights	3
Chairman's Statement	4
Operations Review	6
Directors	12
Financial Review	14
Report of Management	16
Auditors' Report	17
Consolidated Financial Statements	18
Corporate Information	33



*THE COMPANY has a proven record of
understanding and working in the region
and is committed to developing its position
as a premier African mining company.*

DEMOCRATIC
REPUBLIC
OF CONGO

ANGOLA

NAMIBIA

SOUTH AFRICA

Exploration completed

- First exploration programme completed at a cost of C\$25 837 000
- Resource of 2.65 million carats of gem quality diamonds established
- Additional geophysical surveys conducted in Luderitz Bay, Hottentot Bay and 2002 Grants and 12d Concession

1997 HIGHLIGHTS

Production commitment

- Technical alliance formed with SubSea Offshore Ltd., a Dresser Industries' subsidiary, to develop the NamSol mining system
- 10 year charter secured on the mining vessel, MV Kovambo
- 15 year Mining Licence granted over 137 sq. km. of the Luderitz Bay Grant
- Production scheduled to commence in the second half of 1997

Regional expansion

- Agreements concluded over 600 sq. km. of concession area in Lunda Norte and Lunda Sul, Angola
- Exploration interest obtained over 260 sq. km. in the Democratic Republic of Congo

Corporate growth

- Two equity issues raised C\$17 million in June 1996 and C\$20.8 million in June 1997
- Shares listed on the Toronto Stock Exchange and Nasdaq National Market
- Nomura International plc appointed as global investment bankers

Community relations

- Environmental Management Policy adopted
- Continued commitment to health, education and wildlife programmes



We achieved significant operational and corporate objectives during the year, culminating in our decision to commit to production from our Namibian discovery. The transition from exploration to production status is virtually complete.



In August 1996 we concluded 15 months of sampling our Luderitz Bay and Hottentot Bay Grants. A substantial resource of 2.65 million gem quality diamonds was established, confirming the high prospectivity of the Company's concession areas. Less than 3% of these areas has been sampled. The Namrod technology was effective in detailed evaluation and I pay

tribute to Boskalis's commitment to the Project.

Our approach to understanding our marine concessions has been to survey, interpret, formulate and thoroughly evaluate a target driven exploration programme. The total work programme of three years and C\$25.8 million of expenditure have established a large resource inventory and ideally positioned us to further test the potential of the Grants. Additional exploration of our Namibian and South African marine concessions is scheduled to start next year.

It has been our intention to develop a mining capability equal to that of the Industry leaders in terms of effectiveness and efficiency. Our Mine Study Group evaluated a number of potential mining systems.

In November we signed a technical alliance with SubSea Offshore Ltd., a subsidiary of Dresser Industries. SubSea has agreed to act exclusively for the Company in the development and operation of diamond mining systems for ten years.

Both Namco and SubSea are contributing to the development of the NamSSol, a highly efficient seabed crawler which applies proven principles of diamond extraction. We are confident that the NamSSol will be one of the most sophisticated production systems deployed off the west coast of Africa. We have valued the role of consulting mining engineers Steffen Robertson and Kirsten in technically auditing each stage of development.

The NamSSol will be operated from our mining vessel, MV *Kovambo*. A charter has been signed for up to ten years. The completed vessel is a fully integrated floating production plant capable of processing one million m³ of material per annum.

The budgeted capital cost of the whole Project is C\$21 million.

We have worked closely with the Namibian Ministry of Mines and Energy on the development and mine planning of our marine concessions. In January 1997 the Ministry granted a 15 year Mining Licence over 137 sq. km. of the Luderitz Bay Grant. We value their continued support.

The Company has formulated an environmental policy to ensure that environmental protection and enhancement are maintained in the conduct of all its activities. In addition to ensuring the environmentally responsible management of our operations,

the Company contributed to health, wildlife and education programmes in Namibia during the year.

With the trust and reputation we have earned in

*We are confident that
the NamSSol will be one
of the most sophisticated
mining systems deployed
off the coast of Africa*

Namibia we are well positioned to expand in a region which accounts for two thirds of world diamond output by value. To further our regional objectives, we have initially acquired two concessions in Lunda Norte and one concession in Lunda Sul in Angola and we are commencing exploration programmes on the prospective Chicapa River. We look forward to participating in the Angolan diamond industry which is set to expand significantly.

To enable us to commit to production, a capital issue of C\$17 million was completed in June 1996 following our listing on the Toronto Stock Exchange. The Company's shares were listed on the Nasdaq National Market in April 1997. Subsequent to our year end Nomura International plc undertook a multijurisdictional equity offering to raise a further C\$20.8 million for the final stage of production and for future exploration. The Company is soundly



financed to begin mining. I welcome our new shareholders and thank our existing shareholders for their support.

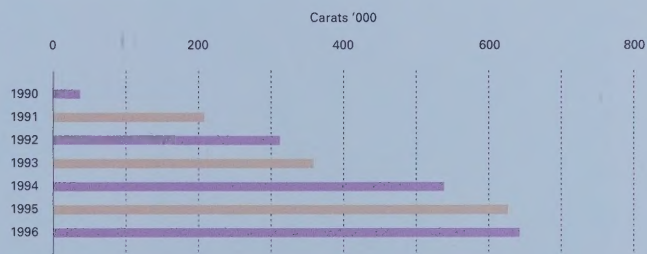
Total resource expenditure to 31 May 1997 was C\$4 773 000. Costs of operation were C\$5 150 000, offset in part by interest receipts and other investment gains of C\$1 061 000. The loss for the year was C\$4 089 000.

World demand for diamonds continues to increase with record half year CSO sales of US\$2.88 billion. Prices of larger gem diamonds increased by 15% in 1996. We have received serious interest

from a number of marketing groups and I am confident that our high quality Luderitz stones will be well received in the marketplace. We completed a pre-feasibility study to establish a diamond cutting and polishing factory in Namibia. Further study is planned.

I am proud of our team and thank all of my colleagues for their dedication and hard work.

Namibian Marine Diamond Output



Marine mining in Namibia is an expanding sector, its growth is being spurred by technological change and the profitability of mining the world's highest value stones. Namco will become a producer later this year and I look forward to the increasing role we will play in the Industry.

J A Holberton

Chairman & Chief Executive Officer

His Excellency Dr. Sam Nujoma,
President of Namibia with
Alastair Holberton and
Kombadayeddu Kapwanga.



Excellent progress was made towards the establishment of commercial diamond production during the year. The first phase of the exploration programme was successfully completed and major economic resources have been established in two of our marine concession areas. A Mining Licence was granted by the Namibian Government and a project feasibility study undertaken. Contracts were placed for a

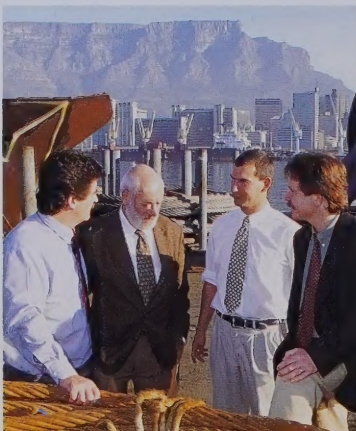
mining tool and ancillary equipment, operating vessel and recovery plant. The Company is scheduled to commence mining in Namibia in the second half of calendar 1997.



Left to right:

David Walker, Director, Corporate Finance, Nomura International plc, Honourable Andimba Toivo Ya Toivo, Minister of Mines and Energy of Namibia, Kombadayedu Kapwanga, Alastair Holberton and Honourable Jesaja Nyamu, Deputy Minister of Mines and Energy.

Mining Project team,
Cape Town harbour.



SAMPLING PROGRAMME

The 700 sample Namrod bulk sampling contract with Boskalis was successfully concluded on 26 August 1996. The objective of the programme was met and a total resource of 2 650 000 carats has been independently calculated by Marine & Coastal Geo-Consultants.

The success rate (sample sites with diamonds) was 51% in the Koichab Prospect, Luderitz Bay Grant and 30% in the Saddle Hill Prospect, Hottentot Bay Grant.

The above percentages exclude three large sized (approximately 140m²) combined bulk samples

excavated in Feature 19 in the Luderitz Bay Grant. All bulk sample grades were significantly higher than the arithmetic mean grade for the area.

A total of 6 424 diamonds weighing 2 314.64 carats (average stone size of 0.36 carats) was recovered in the sampling programme. The average value of the stones is US\$186 per carat.

The overall rate of sampling (average of 1.6 samples per day over the duration of the contract) was disappointing, particularly during the widely spaced reconnaissance phase of the operation.



Processing on
board sampling
vessel, Namco 1

Grant/Prospect	Feature	Resources (carats)		
		Measured	Indicated	Inferred
Hottentot Bay				
Saddle Hill	HBG022			406 000
	HBG012			82 000
Luderitz Bay				
Koichab	LBG011			9 000
	LBG018			464 000
	LBG019	220 684	19 000	626 000
	LBG020	40 800	11 200	775 000
Total		261 484	30 200	2 362 000



Namco's marine
diamond concessions
in Namibia and
South Africa.

However, the Namrod bulk sampling tool proved to be a very precise sampler in the later detailed definition of ore body. It successfully exposed and delivered diamonds from the seabed from a variety of geological terrains and water depths.

Work is in progress for the design of a new sampling tool. In future programmes the ability to sample sediment of greater than 5m thickness (the Namrod was designed to sample 2-4 metres of sediment depending on local conditions) will significantly increase the prospectable area.

SURVEY

Racal Survey Ltd. was contracted to carry out marine geophysical and geotechnical surveys for a two month period in the Luderitz Bay, Hottentot Bay and 2002 Grants off the coast of Namibia, and the 12d concession off the coast of South Africa.

ORANGE RIVER

No further work except for rehabilitation is planned on the Orange River Grant.



KEY:
- Namco Concession
- International boundary

Construction of the mining tool and ancillaries, process plant and ship modifications as well as other preparations for mining are on schedule for commencement of operations in the final quarter of 1997.

MINING TECHNOLOGY

Namco consulted various design, dredging and manufacturing companies to design a complete mining system based on existing proven methods of production.

Following extensive review, the contract to design, manufacture, commission and initially operate an integrated mining system was awarded to SubSea. SubSea is a Dresser Industries' company well known in the offshore oil and gas industry and pre-eminent in the design, manufacture and operation of remotely operated underwater vehicles.



Mining Project team,

Cape Town office.

Left to right: Grahame

Hetherington, Charlie

Heyes, Hans Duijzers,

Ivor Jones and

Jeremy Midgely.

The mining tool designed by SubSea (named the NamSSol) is designed to mine sediment thickness of up to 5m and in water depths up to 150m. It cleans efficiently and accurately to the bedrock layers by means of powerful suction, enhancing the basic operational principle of the Namrod which successfully recovered diamonds.

The targeted operational design criteria for the NamSSol are:

- to operate for, on average, 20 hours per day for a minimum of 300 days per year, for not less than 10 years;
- to mine an area of between 300,000 and 400,000 m² per year by clearing an average of 1,000 m² per day based on an average sediment depth of 3.3m, and thereby to deliver not less than 1 million m³ of solids in its yearly production cycle;
- to recover not less than 90% of all diamonds in the area mined;
- to operate in sea swells of up to 6m.

The NamSSol is an underwater vehicle on twin tracks controlled remotely from the surface support vessel. It is deployed and recovered from the stern of the vessel. It is equipped with a large articulated suction boom. Suction power is provided by an electrically driven pump unit that is mounted on the vehicle. The suction head is provided with variable delivery water jets and a ripping tooth for the gouging of indurated layers. Sea bed sediment is excavated using a powerful centrifugal pump and is then transported to the surface through a buoyant flexible riser. Underwater cameras and scanning sonar provide visual monitoring with electronic sensors providing the necessary feedback for automated control of the mining process.

Artist's impression of mining operations 70 metres below water in the Luderitz Bay Grant. The NamSSol is recovering sea bed sediment and pumping it to the process plant on board MV *Kovambo* for diamond recovery.





MV *Kovambo* undergoing modifications in Bremerhaven, Germany, in May 1997.



PROCESS PLANT

Processing of material will be carried out on board the vessel through a 50 tons per hour dense media separation plant that is being designed and built by Van Eck and Lurie (Pty) Ltd.

VESSEL

The MV *Kovambo* was selected as the production vessel. The vessel had been previously used in the bulk sampling programme. The Company has entered into an agreement with TFDS for up to a ten year charter of the vessel. Owner modifications included extending the vessel's length by 15 metres.

MINING LICENCE

On 31 January 1997 the Ministry of Mines and Energy granted the Company a notice of preparedness to grant an exclusive Mining Licence over the Koichab Prospect in the Luderitz Bay Grant. The Mining Licence is for an initial period of 15 years and covers an area of 137 sq. km.

ENVIRONMENTAL

Namco has undertaken a detailed Environmental Assessment incorporating field data collected from the survey and bulk sampling programmes. The findings of the Report which have been accepted by the Namibian Government concluded that there were no significant impacts from mining in the Luderitz Bay and Hottentot Bay Grants.

The Company will apply the internationally recognised ISO 14001 Environmental Management System as the basis for its Environmental Management Plan.



A desert-adapted black rhino in Damaraland, Namibia. Namco established the Namibian Black Rhino Fund (NBRF) to provide long term support for the conservation of endangered wildlife in Namibia.

ANGOLA

In March 1997 the Company announced its expansion into Angola, a major diamond-producing country of Africa. In the Lunda Norte and Lunda Sul provinces, Namco has acquired a minimum 42.5% interest in three diamond concessions in excess of 600 sq. km. including 50 kilometres along the Chicapa River. The Company's exploration plans include dredging the riverine deposits and exploring the alluvial flats by means of drilling and pitting.

the Cuango Sub-Region. Preliminary exploration work by the Company's partners has yielded limited recoveries with diamond values of US\$110 per carat. Namco is planning an initial prospecting programme including river dredging and exploration of the alluvial flats.

Both countries are considered highly prospective.

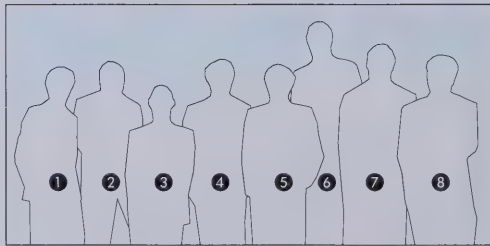
DEMOCRATIC REPUBLIC OF CONGO

The Company has acquired a 70% interest in 10 exploration licences and one mining permit totalling 262 sq. km. in the Wamba/Tunduala district of

R J Daniel
Project Director

KJD





- ① Neil McDougall
- ② Kombadayeddu Kapwanga
- ③ Andrew Buxton
- ④ Alastair Holberton
- ⑤ Howard Beck
- ⑥ Charles Purdy
- ⑦ Richard Hubbard
- ⑧ Roger Daniel

Directors not shown:

Peter Miller

Nghiningiluandubo Kashume

Carlo Civelli

Alastair Holberton

(Age 48, Australian) *†

*Chairman of the Board and
Chief Executive Officer*

Mr Alastair Holberton founded the Namco Group and has over 15 years mineral experience in Australia, Indonesia and Africa. Mr Holberton has held several executive positions including Managing Director of Europa Minerals, Director of TR Energy, Director of Burmine and Director of Inver Trust. He is the Chairman of the Interchange Group, an associate of the Bank of Ireland.

Charles Purdy*(Age 39, British) *†**Director, Chief Financial Officer and Company Secretary*

Mr Charles Purdy joined the Namco Group in August 1993 and the Namco Board in October 1993. He is a Chartered Accountant, formerly with Coopers & Lybrand in London.

Howard Beck, Q.C.*(Age 64, Canadian) ***Non-Executive Director*

Mr Howard Beck is Chairman of the Board of Philip Services Corp., a company specialising in waste management. He serves as an advisor to, and a Director of, a number of major public and private companies. He joined the Namco Board in June 1996.

Carlo Civelli*(Age 48, Swiss) ***Non-Executive Director*

Mr Carlo Civelli is the Managing Director of Clarion Finanz. Mr Civelli has specialised in investment banking for over 15 years. Mr Civelli joined the Namco Board in October 1993.

Neil McDougall*(Age 42, South African) ***Non-Executive Director*

Mr Neil McDougall has been a Partner in legal firm Francis Thompson & Aspdon for over 10 years. Mr McDougall was appointed to the Namco Board in September 1995.

Andrew Buxton*(Age 62, British) †**Non-Executive Director*

Mr Andrew Buxton has more than 30 years mining related experience. He is a Non-Executive Director of the Norwich Union Insurance Group and of Mercury World Mining Trust. Mr Buxton spent 10 years as Finance Director at Rio Tinto (formerly RTZ). He was the Deputy Chairman of Rossing Uranium, Namibia.

Roger Daniel*(Age 48, British)**Project Director*

Mr Roger Daniel joined Nautical Diamonds in September 1993. Mr Daniel is a geologist with over 25 years of practical mining, exploration and managerial experience in southern Africa. He has held several senior positions, including geologist at Gold Fields, Director of Geology and Exploration at Golden Dumps and Executive Director of Dawn Diamonds.

Richard Hubbard*(Age 37, British) †**Non-Executive Director*

Mr Richard Hubbard is a corporate financier and fund manager with Value Management and Research in Germany. He has extensive experience in leveraged buyouts, company takeovers and sales in Europe and North America.

Kombadayedu Kapwanga*(Age 44, Namibian)**Regional Director*

Mr Kombadayedu Kapwanga joined Arena Mining in April 1995. Mr Kapwanga is a geologist and mining engineer with managerial experience, having worked with Rio Tinto Zinc, Rio Tinto Zimbabwe and Rossing Uranium. In 1990 Mr Kapwanga was appointed Director of Mining for the Ministry of Mines and Energy, Namibia. He is a member of the Diamond Board of Namibia and of the Council of the Chamber of Mines of Namibia.

Nghiningiluandubo Kashume*(Age 40, Namibian)**Non-Executive Director*

Mr Nghiningiluandubo Kashume is a Director of Kalahari Holdings and serves as the Chairman and Director of several prominent Namibian companies.

Peter Miller*(Age 48, British) †**Non-Executive Director*

Mr Peter Miller is President and Chief Executive Officer of KWG Resources and St. Genevieve Ltd. He spent 15 years working as a geologist on exploration projects in South Africa and subsequently as a mining investment analyst for eight years in London.

* denotes Main Board Director

† denotes Member of Strategy and Review Committee

PRINCIPAL ACTIVITIES OF THE COMPANY

The Company's principal activities during the year were the completion of its first marine exploration programme off the coast of Namibia and South Africa and the design, development and construction of its marine mining system.

During the year the Company obtained interests in diamond exploration concessions in Angola and in the Democratic Republic of Congo.

OPERATING RESULTS

The consolidated loss for the year was C\$4 089 000 (1996: C\$1 651 000) or C\$0.13 (1996: C\$0.06) per share. Income for the period was C\$1 061 000



(1996: C\$1 559 000) being interest receipts of C\$956 000 (1996: C\$863 000) and gains on short term investments of C\$105 000 (1996: C\$696 000). Unrealised gains on short term investments as at 31 May 1997 were C\$1 509 000.

Expenses in the year were C\$5 150 000 (1996: C\$3 210 000). The Company approached a number of potential suppliers to design and build the mining tool. Costs associated with designs not selected have been expensed under the Company's accounting policies. Costs associated with preliminary work undertaken in Angola and the Democratic Republic of Congo have also been expensed. Professional fees include the costs of listing the Company on the Toronto Stock Exchange and on the Nasdaq National Market. Final costs associated with the Benco Appeal were expensed in the period.

Resource property costs capitalised during the year were C\$4 773 000 (1996: C\$12 997 000). Bulk sampling of the Luderitz Bay and Hottentot Bay Grants and the 12b Concession in South Africa was completed in the first half of the year. The total cost of the programme prior to allocation of inhouse costs was C\$18 338 000 being principally the charter of the vessel and payments to Boskalis, the suppliers and operators of the Namrod sampling tool.

In 1997 a geophysical survey over the 2002 Grant in Namibia and Concession 12d in South Africa was undertaken by Racial Survey Ltd. at a cost of C\$1 042 000.

The first sale of diamonds recovered from the bulk sampling programme was completed with prices matching expectations. Remaining stocks of diamonds from the bulk sampling programme have a sales value of approximately C\$350 000.

LIQUIDITY AND CAPITAL RESOURCES

The Company completed a private placement of two million special warrants in June 1996 to generate net proceeds of C\$15 988 863. As part of this private placement, the Company issued on 1 October 1996 one million warrants, each warrant entitling the holder to acquire one common share at a price of C\$11.00 per share. On 30 May 1997 the expiry date of the warrants was extended from 26 June 1997 to the earlier of (i) 26 June 1998, and (ii) the 30th day after the date on which the weighted average price per share for 10 consecutive trading days on the Toronto Stock Exchange exceeds C\$12.94. Net proceeds from the exercise of the warrants would be C\$11 000 000. In addition, the Company received C\$721 715 on the exercise of stock options. Subsequent to year end, the Company completed a common share offering of 3 930 000 shares to raise net proceeds of C\$18 200 266.

The proceeds from these fund raisings have been and will be used to commence mining in the Company's Luderitz Bay Grant off the Namibian coast, to continue marine exploration and to undertake work in Angola and the Democratic Republic of Congo.

Stock options to purchase an aggregate of up to 118 700 common shares in the range of C\$1.31 to C\$2.15 per common share are set to expire by 31 May 1998; if exercised, these would raise an additional C\$174 200. Total funds that could be received from the exercise of the warrants and the options set to expire by 31 May 1998 would be approximately C\$11 174 200.

Surplus funds are held principally in the main currencies of operation which are US dollars, sterling, Namibian dollars and South African rand. The Company may invest a limited proportion of surplus

funds in marketable securities.

A contract has been placed for the purchase of a mining system for approximately £4 500 000. The Company is also committed to the purchase of a processing plant for approximately R12 000 000. The budgeted funding requirement to commission mining in the Luderitz Bay Grant's Mining Licence area is C\$21 000 000.

The Company believes it is sufficiently financed to commence its mining operations in Namibia and conduct additional diamond exploration in the region.

REVIEW OF OPERATIONS

An Operations Review is contained on pages 6 – 11 of the 1997 Annual Report and should be considered as forming part of this Report.

RISKS

The Company's operations are subject to a number of significant and ongoing risks.

All of the Company's operations are outside of Canada. As the Company reports in Canadian dollars, the operations may be subject to foreign exchange gains or losses. In the year ended 31 May 1997, the cumulative foreign exchange adjustment as detailed on the Consolidated Balance Sheet shows a deficit of C\$1 040 000 (1996: deficit of C\$1 020 000). The principal cause of the deficit was the depreciation of the South African rand and Namibian dollar in the first half of calendar 1996.

Both Namibia and South Africa are members of the Common Monetary Area ('CMA'). Exchange control regulations are being eased but the flow of funds to countries outside the CMA is still subject to restrictions. Political and economic risk in Namibia and South Africa is considered to be low.

Large scale marine diamond mining technology and the understanding of alluvial diamond distribution are still in the early stages of development. The Company has yet to start mining and its budgets and planned commencement dates remain subject to review. Future revenues will be subject to prevailing diamond prices and the achievement of estimated production parameters, all of which have yet to be realised. The Company plans finalisation of its marketing strategy shortly.

Angola and the Democratic Republic of Congo

have experienced and continue to experience civil and political unrest. There is significant risk that the Company might have to suspend its activities in one or other of those countries.

REPORTING CURRENCY

The audited Consolidated Financial Statements for 1997 have been prepared in Canadian dollars. With the commencement of production it is considered appropriate to report in US dollars, the Company's new functional currency. Therefore, as from 1 June 1997, the Consolidated Financial Statements will be prepared in US dollars.

FUTURE DEVELOPMENTS

Future developments in the operations of the Company subsequent to year end are:

- a) Mining will commence in the Koichab Prospect of the Company's Luderitz Bay Grant, Namibia.
- b) Exploration activities will recommence in the Company's marine diamond concessions in Namibia and South Africa to identify additional prospects and to further define diamond resources. A study into options for sampling techniques is currently underway and due for completion in 1997.
- c) The Company's exploration activities have expanded into the African region and initial programmes will continue to focus on opportunities in Angola and in the Democratic Republic of Congo.

On behalf of the Board of Directors of Namibian Minerals Corporation



J A Holberton

Chairman & Chief Executive Officer



J C F Purdy

Chief Financial Officer

London

11 July 1997



The accompanying consolidated financial statements and all of the data included in this annual report have been prepared by and are the responsibility of the management of Namibian Minerals Corporation. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimate and judgements based on currently available information. The Company has developed and maintains systems of internal accounting controls in order to assure, on a reasonable and cost-effective basis, the reliability of its financial information, and that the assets are safeguarded from loss.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee of the Board which has to satisfy itself that management's responsibilities are properly discharged and to review the financial statements before they are presented to the Board of Directors for approval. The Company's external auditors have full and unrestricted access to the Audit Committee.

The consolidated financial statements have been audited by Deloitte & Touche, Chartered Accountants. The report outlines the scope of their examination and opinion on the consolidated financial statements.

London, England

11 July 1997

J A Holberton

Chairman, Chief Executive Officer and Director

J C F Purdy

Chief Financial Officer and Director

The Shareholders**Namibian Minerals Corporation**

We have audited the consolidated balance sheets of Namibian Minerals Corporation as at 31 May 1997 and 1996 and the consolidated statements of loss and deficit, resource property costs and changes in financial position for each of the years in the three year period ended 31 May 1997 and the period from 19 October 1993 to 31 May 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards required that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An

audit also includes assessing the accounting principles used and significant estimates by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at 31 May 1997 and 1996 and the results of its operations and the changes in its financial position for each of the years in the three year period ended 31 May 1997 and the period from 19 October 1993 to 31 May 1997 in accordance with generally accepted accounting principles in Canada.

Vancouver, British Columbia

11 July 1997

Deloitte & Touche

Chartered Accountants

**Namibian Minerals Corporation***(A development stage company)***Consolidated Balance Sheet***as at 31 May Canadian Funds***Statement 1**

		1997 \$000	1996 \$000
ASSETS			
(statement 4)	Current		
	Cash and short term investments	11,481	10,749
	Accounts receivable	2,060	294
	Prepayments	336	17
(note 4)	Marketable securities	2,237	448
(statement 3, note 5)	Resource property costs	25,837	21,064
(note 6)	Capital assets, net of amortization	5,542	2,514
	Goodwill, net of amortization	100	116
	Investments	250	50
		47,843	35,252
LIABILITIES			
	Current		
	Accounts payable and accrued liabilities	1,257	1,267
SHAREHOLDERS' EQUITY			
(note 7)	Share capital	55,789	39,079
(note 8)	Contributed surplus	633	633
	Cumulative foreign exchange adjustment	(1,040)	(1,020)
(statement 2)	Deficit	(8,796)	(4,707)
		46,586	33,985
		47,843	35,252

On behalf of the board:

J A Holberton
Chairman, Chief Executive
Officer and Director

J C F Purdy
Chief Financial Officer
and Director

11 July 1997

Namibian Minerals Corporation
(A development stage company)
Consolidated Statement of Loss and Deficit
for the year ended 31 May Canadian Funds

Statement 2

	From 19 October1993 to 31 May 1997	1997	1996	1995
INCOME	\$000	\$000	\$000	\$000
Interest received	3,155	956	863	1,224
Gain on short term investments	1,001	105	696	200
	4,156	1,061	1,559	1,424
EXPENSES				
Amortization – capital assets	1,111	474	488	105
– goodwill	57	16	16	16
Engineering evaluation costs	400	400	–	–
General exploration	538	538	–	–
General office costs, including salaries	5,828	2,026	1,563	1,309
Professional fees	2,086	783	286	245
Travel and promotional	2,757	913	857	541
	(12,777)	(5,150)	(3,210)	(2,216)
Loss for the year	(8,621)	(4,089)	(1,651)	(792)
Deficit – beginning of the year	(175)	(4,707)	(3,056)	(2,264)
DEFICIT – END OF YEAR	(8,796)	(8,796)	(4,707)	(3,056)
		1997	1996	1995
		\$	\$	\$
BASIC LOSS PER SHARE FOR THE YEAR		(0.13)	(0.06)	(0.04)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (in thousands)		31,324	25,941	22,556

**Namibian Minerals Corporation***(A development stage company)***Consolidated Statement of Resource Property Costs**for the year ended 31 May *Canadian Funds*

Statement 3

	1997	1996	1995
	\$000	\$000	\$000
COSTS FOR THE YEAR			
Survey	1,042	–	134
Bulk sampling	2,623	11,595	4,120
Salaries and benefits	858	666	366
Travel and accommodation	291	240	145
General operating costs	144	496	32
Sale of sampling stock	(185)	–	–
	4,773	12,997	4,797
Balance – beginning of year	21,064	8,067	3,270
BALANCE – END OF YEAR	25,837	21,064	8,067

Namibian Minerals Corporation

(A development stage company)

Consolidated Statement of Changes in Financial Position

for the year ended 31 May Canadian Funds

Statement 4

		From 19 October 1993 to 31 May 1997	1997	1996	1995
		\$000	\$000	\$000	\$000
CASH RESOURCES PROVIDED BY (USED IN)					
OPERATING ACTIVITIES					
	Loss for the period	(8,621)	(4,089)	(1,651)	(792)
	Items not affecting cash				
	Amortization – capital assets	1,111	474	488	105
	– goodwill	57	16	16	16
	Gain on marketable securities	(1,001)	(105)	(696)	(200)
	Changes in non-cash working capital	(679)	(2,005)	1,061	(695)
		(9,133)	(5,709)	(782)	(1,566)
INVESTING ACTIVITIES					
	Resource property costs	(25,837)	(4,773)	(12,997)	(4,797)
	Capital assets	(6,780)	(3,592)	(161)	(2,122)
	Foreign exchange adjustment	(1,042)	(20)	(1,022)	(133)
	Marketable securities	(1,226)	(1,684)	596	73
	Net liabilities on acquisition of subsidiary	(158)	–	–	–
	Investments	(250)	(200)	100	(150)
		(35,293)	(10,269)	(13,484)	(7,129)
FINANCING ACTIVITIES					
	Share capital	55,648	16,710	9,463	11,685
	Issuance of share capital for debt	130	–	–	–
	Contributed surplus	118	–	–	–
		55,896	16,710	9,463	11,685
NET INCREASE/(DECREASE) IN CASH		11,470	732	(4,803)	2,990
	Cash position – beginning of year	11	10,749	15,552	12,562
CASH POSITION – END OF YEAR		11,481	11,481	10,749	15,552



Namibian Minerals Corporation

(A development stage company)

Notes to the Consolidated Financial Statements

as at 31 May 1997 *Canadian Funds*

- 1. Description of business**

The Company, through its subsidiaries, is principally engaged in marine diamond exploration and mining off the coasts of Namibia and South Africa.
- 2. Directors**

The directors of the Company at the end of the period and as the date of signing the consolidated balance sheet are as follows:

J A Holberton
J C F Purdy
H L Beck
C Civelli
N G McDougall
- 3. Significant accounting policies**

These Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"), which, in the case of the Company, conform in all material respects with accounting principles generally accepted in the United States of America ("U.S. GAAP"), except as explained in Note 14. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The significant accounting policies used in these Consolidated Financial Statements are as follows:

a) Consolidation

These financial statements include the accounts of the Company and its subsidiaries ("the Group"). The principal subsidiaries (wholly owned unless indicated otherwise) are as follows:

 - Namco B.V., Netherlands
 - Namco Services Limited, United Kingdom
 - Namibian Minerals Corporation Limited, Gibraltar and its subsidiaries:
 - Arena Mining (Pty.) Limited, Republic of Namibia
 - Guinas Mining (Pty.) Limited (80% owned), Republic of Namibia
 - Namco Management Services (Pty.) Limited, Republic of Namibia
 - Nautical Diamonds (Pty.) Limited, South Africa
 - N.D. Charterers (Pty.) Ltd, South Africa
 - Pinette Investments (Pty.) Limited, South Africa
 - Namibian Minerals Corporation Limited, United Kingdom

b) Cash

Cash includes short-term money market instruments with terms to maturity, at the date of issue, not exceeding ninety days.

c) Amortization

The Group provides for amortization on the following basis:

Goodwill	– straight-line over 10 years
Buildings	– straight-line over 40 years
Furniture & office equipment	– straight-line over 3 to 6 years
Leasehold improvements	– straight-line over 5 years
Motor vehicles	– straight-line over 3 to 5 years
Plant and machinery	– straight-line over 4 years

d) Resource property costs

The Group is in the process of exploring its mineral properties (as detailed in note 5).

Exploration and development costs are capitalized on an individual prospect basis until such time as an economic reserve is defined and mining is commenced or the mineral property abandoned.

The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically viable reserves and the ability to obtain the necessary financing to complete the developments.

Capitalized costs will be amortized subsequent to commercial production on a unit-of-production basis over the estimated reserves.

Management regularly reviews the carrying value of resource property costs for impairment in value. Any resulting write downs are charged to earnings.

e) Foreign currency translation

Financial statements of the Company's foreign operations are translated using the current rate method. Adjustments arising from this translation are deferred and recorded under a separate caption of Shareholders' Equity and are included in income only when a reduction in the investment in these foreign operations is realized.

f) Marketable securities

Marketable securities are carried at the lower of cost or market value.

g) Investments

Investments are carried at cost unless in the opinion of the directors there has been a permanent impairment in value. At such time the value of the investment is written down to net realisable value.

h) Sampling stock

Recoveries of diamonds from the bulk sampling programme are valued at nil. On sale to third parties, income received, net of all selling costs, is credited against resource property costs.

**i) Goodwill**

Goodwill arising on acquisitions is amortized on the straight-line basis over ten years. Management regularly reviews the carrying value of goodwill for impairment in value.

j) General exploration costs

General exploration costs incurred when investigating for properties outside the Group's area of interest are written-off until a resource property interest is acquired.

k) Loss per share

Loss per common share is computed on the basis of the weighted average number of shares outstanding and common stock equivalents when dilutive.

l) Fair value of financial instruments

The Company believes based upon current information that the carrying value of the Company's cash and cash equivalents, accounts receivable and liabilities approximates fair value due to the short maturity of those instruments.

4. Marketable securities

The mid-market quoted value of the marketable securities as at 31 May 1997 was \$3,746,000 (1996: \$715,000).

5. Resource property costs

The Group holds the rights as specified on the following mineral properties:

Concession/Grant	Description	Type of Licence
14/2/1/4/2/1946 (Namibia)	Luderitz Bay Grant	Diamond prospecting rights
14/2/1/4/2/1950 (Namibia)	Hottentot Bay Grant	Diamond prospecting rights
14/2/1/4/2/2002 (Namibia)	2002 Grant	Diamond and phosphorite prospecting rights
14/2/1/4/2/2100 (Namibia)	Orange River Grant	Diamond prospecting rights
12b (South Africa)	12b Concession	Precious stones prospecting rights
12d (South Africa)	12d Concession	Precious stones prospecting rights

The 12b Concession was transferred in May 1993 for Rand 200,000. Certain data, information and records were acquired for Rand 800,000. All other grant and concession areas were obtained directly from the relevant government, on payment of the appropriate application fee.

The survey of the Hottentot Bay Grant, the Luderitz Bay Grant and the 12b Concession was completed in March 1994. In June 1995, bulk sampling of these three areas commenced. The bulk sampling programme was completed in October 1996. As at 31 May 1997, the market value of sampling stock was approximately \$350,000.

In July 1996, the survey of the 12d Concession and 2002 Grant was completed. The survey was undertaken by Racial Survey Ltd.

Mining is planned to commence in parts of the Koichab Prospect, an area within the Luderitz Bay Grant, in the second half of 1997. The Mining Licence is to have an initial term of 15 years.

Resource property costs to date are split as follows:

Concession/Grant	1997 \$'000	1996 \$'000
12b	3,575	3,575
Hottentot Bay	9,126	7,293
Luderitz Bay	12,094	10,196
2002	521	–
12d	521	–
	25,837	21,064

6. Capital assets

The major categories of property and equipment and related accumulated amortization are as follows:

	Cost	31 May Accumulated Amortization	1997 Net Book Value	1996 Net Book Value
	\$'000	\$'000	\$'000	\$'000
Furniture & office equipment	803	357	446	377
Land & buildings	1,237	50	1,187	1,234
Leasehold improvements	156	86	70	55
Motor vehicles	176	62	114	103
Plant and machinery	4,213	488	3,725	745
	6,585	1,043	5,542	2,514

**7. Share capital**

a) Details are as follows:

	Authorized Common Shares Without Par Value	Issued and Fully Paid	Amount \$'000
Balance prior to reverse takeover	15,000,000	3,388,961	1,143
Elimination of deficit and net liabilities at date of acquisition		-	(1,132)
	15,000,000	3,388,961	11
Private placement for cash (i)		5,235,750	2,320
Debt settlement		868,710	130
Share capital consolidation	(5,000,000)	(3,164,474)	-
Increase in authorized capital	90,000,000	-	-
Acquisition of subsidiary (v)		4,449,000	-
Private placement for cash (ii)		5,052,500	15,180
Exercise of warrants		72,000	76
Acquisition of subsidiary (v)		2,013,500	-
Escrow shares cancelled		(519,446)	-
Escrow shares issued		703,125	11
Exercise of warrants		193,500	203
Balance as at 31 May 1994	100,000,000	18,293,126	17,931
Exercise of warrants		3,210,001	3,370
Private placement and public offer (iii)		2,437,800	8,277
Exercise of options		37,500	38
Balance as at 31 May 1995	100,000,000	23,978,427	29,616
Exercise of options		236,633	376
Private Placement (iv)		1,750,000	7,000
Acquisition of subsidiary (v)		2,337,500	-
Private Placement (vi)		500,000	2,087
Balance at 31 May 1996	100,000,000	28,802,560	39,079
Exercise of options		615,916	721
Private Placement (vii)		2,000,000	15,989
Acquisition of subsidiary (v)		2,200,000	-
Balance at 31 May 1997	100,000,000	33,618,476	55,789

- (i) The private placement was completed in October 1993. Gross proceeds were \$2,437,500 (costs of placement were \$117,764).
- (ii) The private placement was completed in January 1994. Gross proceeds were \$15,275,000 (costs of placement were \$95,145).
- (iii) The private placement and public offer took place in conjunction with the dual listing of the Company on the Namibian Stock Exchange on 29 September 1994. The shares were issued at N\$9.25 (\$3.48). Gross proceeds were \$8,481,172 (costs of placement were \$203,978).
- (iv) The private placement was completed in February 1996. Gross proceeds were \$7,000,000 (costs of placement were nil).

- (v) Issued in accordance with the terms of the reverse takeover which was completed on 19 October 1993 and through which the Company acquired 100% of the issued outstanding shares of Namibian Minerals Corporation Limited, Gibraltar.
- (vi) The private placement was completed in March 1996 on the Namibian Stock Exchange at a price of N\$11.40 (\$4.30) per share. Gross proceeds were \$2,150,000 (costs of placement were \$63,300).
- (vii) A private placement of 2,000,000 special warrants at \$8.50 each was completed in June 1996. Gross proceeds were \$17,000,000 (costs of placement were \$1,011,137). Each special warrant was exercised in September 1997 for no additional consideration into one unit to consist of one common share and one half common share purchase warrant. In total, 2,000,000 common shares and 1,000,000 common share purchase warrants were issued. Each whole common share purchase warrant is exercisable at a price of \$11 and the expiry date of the warrants is the earlier of (a) 26 June 1998 or (b) the 30th day after the date on which the weighted average price per common share for 10 consecutive trading days on the Toronto Stock Exchange exceeds \$12.94.
- (b) Options granted and outstanding:

Number of options granted	Expiry date	Exercise price \$
20,000	23 October 1997	2.15
60,000	11 December 1997	1.31
22,000	25 January 1998	1.35
16,700	8 March 1998	1.37
3,334	5 July 1998	2.20
50,000	12 July 1998	2.10
325,000	1 November 1998	1.44
15,000	22 November 1998	1.36
15,000	14 December 1998	1.92
1,230,000	2 April 2001	5.56
265,000	28 May 1999	6.53
55,000	30 October 1999	5.99
50,000	11 December 1999	6.03
70,000	3 February 2000	5.16
2,197,034		

	1997	1996
Outstanding at the beginning of period	2,854,617	1,066,250
Granted	175,000	2,110,000
Exercised	(615,916)	(236,633)
Expired	(216,667)	(85,000)
Outstanding at the end of period	2,197,034	2,854,617

**8. Contributed surplus**

The contributed surplus represents funds received from the shareholders of Namibian Minerals Corporation Limited, Gibraltar, prior to the reverse takeover as capital contribution towards development costs.

9. Commitments

Commitments are reflected elsewhere in these financial statements except as follows:

- a) The Company, through a wholly owned UK subsidiary, is committed to rental payments of GBP26,500 per annum for the London office until June 1998 inclusive.
- b) The Company, through a wholly owned South African subsidiary, is committed to rental payments of R14,100 per month for the Cape Town office until November 1997 inclusive.
- c) The Company, through a wholly owned South African subsidiary, is committed to rental payments of R37,000 per month from 1 May 1997 to 31 March 2002.
- d) The Company, through a wholly owned UK subsidiary, is committed to the purchase of a mining tool for approximately GBP 4,500,000 (\$10,200,000).
- e) The Company, through a wholly owned South African subsidiary, is committed to the purchase of a process plant for approximately R12,000,000 (\$3,750,000).
- f) The Company, through a wholly owned South African subsidiary, is committed to the chartering of a vessel for five years as from 1 July 1997 at an annual cost of approximately US\$4m (\$5,600,000).
- g) The Company has entered into a joint venture agreement to explore certain concessions in the Democratic Republic of Congo (formerly Zaire). The Company at its sole discretion may expend US\$3,600,000.
- h) The Company has entered into a joint venture agreement to explore certain concessions in Angola. The Company at its sole discretion may expend US\$2,500,000. An initial prepayment of R250,000 has been made to the joint venture partners. On commencement of exploration the payment will be capitalised as a resource property cost.

10. Income taxes

The Competent Authorities of Revenue Canada and the United Kingdom Inland Revenue have determined that as of 19 October 1993, the Company's tax residency moved from Canada to the United Kingdom.

The financial statements are prepared in accordance with Canadian generally accepted accounting principles, the results of which in this case do not vary from those derived by following statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("FAS 109"). FAS 109 requires that deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their bases for financial reporting purposes. In addition, FAS 109 requires the recognition of future tax benefits, such as net operating loss carry-forwards, to the extent that realisation of such benefits are more likely than not.

A reconciliation of the income tax benefit (provision) with amounts determined by applying the statutory income tax rates to the consolidated income (loss) before income taxes is as follows for the years ended 31 May:

	1997	1996	1995
	\$'000	\$'000	\$'000
Tax benefit at statutory rate	1,431	627	300
Operating losses with no current tax benefit	(1,431)	(627)	(300)
	—	—	—

The Company's deferred tax items as of 31 May are as follows:

	1997	1996
	\$'000	\$'000
Deferred tax assets		
Net operating loss carry forwards		
South Africa and Namibia	2,582	1,255
Canada	195	225
UK	14	—
Total deferred tax assets	2,791	1,480
Deferred tax liabilities	17	(51)
Valuation allowance	(2,808)	(1,429)
	—	—

In South Africa and Namibia, the Group has income tax losses of not less than \$6,000,000 available to reduce future taxable income. In Canada and the United Kingdom, there are tax losses to carry forward. The losses in Canada of approximately \$430,000 are allowable only against future Canadian operations and the losses available for carry forward in the United Kingdom are approximately \$44,000.

11. Litigation

Previous accounts have referred to the action brought by Namibian Minerals Corporation Limited, Gibraltar ("Namco") against Benguela Concessions Ltd ("Benco") and John Wilson. The South African Appellate Division handed down its judgement on 27 November 1996. Five judges of the Appeal Court were divided in their findings and the Appeal was unsuccessful in a split 3/2 decision in favour of Benco.

Namco was disappointed that the Appeal Court did not reverse the earlier decision. However, Namco feels vindicated as it proved that the agreement had been signed by Benco and that this finding was upheld by the Appellate Division. Namco's Board of Directors evaluated that the only downside to the Company was the payment of legal costs, against the probability of successfully obtaining a substantial judgement against Benco. Namco has written off the entire cost of the litigation.

The outcome of the Appeal had no influence on Namco's operations.

12. Related party transactions

- (a) Dowling Investments Limited ("Dowling"), a company under the control of the Rochford Trust, a Holberton family trust, has entered into an agreement with Pinette Investments (Pty) Limited ("Pinette"), to allow certain paintings, furnishings and art works Dowling owns to be made available to Pinette to furnish the property owned by Pinette in Cape Town. For use of the paintings, furnishings and art work, Pinette has agreed to a rental based on the interest accruing on the agreed total value of all items loaned with the applicable interest rate being the prevailing South African prime bank rate. The amount charged in rental in the period was \$30,779 (1996: \$16,219; 1995: \$6,338).
- (b) Neil McDougall became a Director of the Company at the Annual General Meeting on 15 September 1995. Mr. McDougall is a partner of the Company's South African attorneys, Francis Thompson & Aspden. All fees are charged on an arms length basis. The amount payable to Francis Thompson & Aspden for the period is R324,000 (1996: R295,000; 1995: Nil) excluding disbursements and Advocate's fee.

13. Segmented information

The Company operates in one industry segment, mining exploration. Substantially all of the assets are held in Namibia except for cash and marketable securities which are held within the corporate group in Europe.

Expenditure incurred in Namibia and South Africa with respect to mining exploration is deferred and the loss and deficit is due to corporate expenditure.

14. Reconciliation between Canadian and U.S. generally accepted accounting principles ("GAAP")

These Consolidated Financial Statements have been prepared in accordance with Canadian GAAP, which, in the case of the Company, conform in all material respects with US GAAP, except as set forth below:

	Year ended 31 May		
	1997	1996	1995
	\$'000	\$'000	\$'000
Net loss for the period Canadian GAAP	(4,089)	(1,651)	(792)
Gain on securities (i)	1,242	(248)	515
Net foreign exchange loss (ii)	(20)	(1,022)	(133)
United States GAAP	(2,867)	(2,921)	(410)
Primary loss per common share United States GAAP (iii)	\$(0.09)	\$(0.11)	\$(0.02)
Weighted average shares outstanding (in thousands) (iii)	30,986	25,499	21,853

	31 May	
	1997	1996
	\$'000	\$'000
Assets		
Marketable securities		
Canadian GAAP	2,237	448
Gain on securities (i)	1,509	267
United States GAAP	<u>3,746</u>	<u>715</u>
Shareholders' equity		
Cumulative foreign exchange adjustment		
Canadian GAAP	(1,040)	(1,020)
Deferred exchange (ii)	1,040	1,020
United States GAAP	<u>-</u>	<u>-</u>
Accumulated deficit during development stage		
Canadian GAAP	(8,796)	(4,707)
Gain on securities (i)	1,509	267
(Increase) decrease in expenses (ii)	(1,040)	(1,020)
	<u>(8,327)</u>	<u>(5,460)</u>

(i) Marketable securities

US GAAP require trading securities to be carried at fair value. Changes in fair value are charged against or credited to income, while under Canadian GAAP such items are carried at cost or, where market value is lower, at market value. The amount of any write-down to market is charged against income.

(ii) Exchange on long-term monetary items

US GAAP require unrealised exchange gains or losses on long-term monetary items with fixed or ascertainable lives to be included in income as they arise, while under Canadian GAAP such items are deferred and amortized over the remaining life of the related item.

(iii) Primary loss per common share

Primary loss per common share under US GAAP is computed using the weighted average number of shares of common and common equivalent shares outstanding. Using the treasury stock method common equivalent shares are excluded from the computation if their effect is antidilutive. Common equivalent shares consist of the common shares issuable upon the exercise of stock options and share purchase warrants (using the treasury stock method), excluding the effect of shares held in escrow. Under Canadian GAAP, weighted average shares outstanding for the purpose of determining basic loss per share are calculated using a simple weighted average. Fully diluted loss per common share under US GAAP has not been presented because the amounts would not be significantly different.

b) US GAAP require accounting for compensation relating to stock option plans. For the purpose of this reconciliation, the Company has



utilised the intrinsic value based method, prescribed by APB Opinion No. 25, whereby compensation is recorded for the excess, if any, of the quoted market price of the common share at the date granted over the exercise price of common stock options for all such options granted to employees. At 31 May 1997, no compensation cost has been recorded for any period under this method. Management believes that if SFAS No. 123 had been adopted, it would not have had a significant effect on the financial position or results of operations of the Company.

c) Statements of Cash Flows

Under US GAAP presentation of a statement of cash flows is required which reflects only cash transactions relating to operating, financing and investing activities. Under Canadian GAAP, non-cash financing and investing activities are required to be presented in addition to cash flows in the statement of changes in financial position. There are no adjustments to the statement of cash flows required to conform to US GAAP. The statement of cash flows under US GAAP would also disclose payments relating to interest and income taxes during each period presented. The Company made no payments relating to interest and income taxes during the periods presented.

d) Recently issued accounting standards

In February 1997, the Financial Accounting Standards Board issued SFAS No. 128 "Earnings per Share" which is effective for years ending after 15 December 1997 (fiscal 1998 for the Company). This statement replaces the presentation of primary earnings per share with a presentation of basic earnings per share ("EPS"). Basic EPS excludes the dilution effect of common stock equivalents and is computed by dividing net earnings by the weighted average number of common shares outstanding for the period. The calculation of diluted EPS will not change under SFAS No. 128. The adoption of SFAS No. 128 by the Company will not materially change the amounts disclosed as basic EPS.

15. Subsequent event

Subsequent to 31 May 1997, (i) the Company has completed an international public offering and a private placement in Namibia of 3,930,000 common shares at a price of \$5.29 per share for net proceeds, after fees and expenses of the offering, of \$18,200,266; and (ii) granted 210,000 stock options with an exercise price of \$5.74 and expiry date of 7 July 2000.

Namco Offices

Namibian Minerals Corporation (Namco)

Granville House
132-135 Sloane Street
London
SW1X 9AX
United Kingdom

Tel 44 171 824 8900
Fax 44 171 824 8889

Arena Mining (Pty) Ltd.

96 Cloudina Street
PO Box 24857
Ludwigsdorf
Windhoek 9000
Namibia

Tel 264 61 231 353
Fax 264 61 249 253

Nautical Diamonds (Pty) Ltd.

Alphen Park, Constantia Road
Constantia 7800
Cape Town
PO Box 104 Constantia 7848
South Africa

Tel 27 21 794 2822
Fax 27 21 794 2833

Canadian Representative Office

Suite 1360
605 Robson Street
Vancouver
British Columbia
V6B 5J3
Canada

Tel 1 604 683 0564
Fax 1 604 602 9311

Registered Office

Suite 200
204 Lambert Street
Whitehorse
Yukon Y1A 3T2,
Canada

Auditors

Deloitte & Touche
Canada and Namibia

Consultants

Marine & Coastal Geo-Consultants
Steffen Robertson and Kirsten (UK) Ltd.

Investment Bankers

Nomura International plc

Brokers

HSBC Simpson McKie (Pty) Ltd.
Yorkton Securities Inc.

Stock Exchanges

Nasdaq National Market
(Trading Symbol: NMCOF)

Namibian Stock Exchange
(Trading Symbol: NMC)

The Toronto Stock Exchange
(Trading Symbol: NMR)

Investor Information

Megan Williams
Corporate Communications Manager
Namibian Minerals Corporation
Granville House
132-135 Sloane Street
London SW1X 9AX
United Kingdom

Tel 44 171 824 8900
Fax 44 171 824 8889
e-mail mwilliams@nam-corp.com

The information contained in this publication is believed to be accurate but no representation or warranty is made or intended and no liability is to be incurred in connection with its accuracy or completeness nor to any conclusions drawn.

